



Understanding how and where your money is invested

Have you ever wondered how safe your funds are with an investment bank? Or perhaps how or where they invest your money? If you're a client with Databank or you are considering investing through us, we would like to give you more details on where and how your money with Databank is invested.

As an investment bank, there are three key pillars that are in place to help protect your funds. They are: Custody of Funds, Corporate Governance and the Regulator.

Custody of Funds

By law, mutual funds in particular, must be held with a Custodian bank. The Custodians for Databank's mutual funds are Standard Chartered Bank, Guaranty Trust Bank and Stanbic Bank. When the Fund Manager needs to make an investment, instructions are sent to the Custodian for the transfer of funds for the said investment. The Custodian will issue a report periodically of all the investments that have been made by that Fund.

Let's use MFund, one of Ghana's largest fixed-income funds, as an example. MFund has over GHC 605 million in Assets under Management. In the most recent Custodian report from GTBank (MFund's custodian bank) dated February 28, 2019, we are provided with the following breakdown of the holdings of the Fund:

- 56.00% is invested in 2-year Government of Ghana Treasury Notes as well as Government of Ghana Bonds with tenures of 3, 5, 7 and 10 years
- 26.21% is invested in fixed deposits
- 17.62% is invested in Corporate bonds
- 0.17% is sitting in cash

In order for your funds to be at risk, it would mean that the Government of Ghana would be unable to honour payments on their various securities and corporations like GCB would have to go out of business.

In the case of Epack, where almost 80% of the Fund is invested in stocks listed on 9 different stock exchanges across Africa, it would also mean that all of these companies would need to go out of business at the same time for you to lose your money invested through Databank.

Databank does not mix investor funds with operational funds, so all funds invested on your behalf can be retrieved from the issuers on demand.

If, however, Databank is required to prematurely sell off shares listed on a particular stock exchange, it may mean that when Databank goes to the market to sell those shares to honour your withdrawals, the share price could be lower than when it was originally purchased. This can happen when we are selling shares to meet obligations rather than when we are selling because we have realized the desired profit and want to lock in those gains.

Corporate governance

Within the context of investing, good corporate governance looks at the following:

- **Investment policies and guidelines.** The investment decisions of the funds are guided primarily by the Scheme Particulars of that Fund. However, beyond that, you would want to know how the decision is made about where to place investors' funds and whether the money you have invested is kept separately from the institution. At Databank, all investment decisions are vetted by an Investment Committee that looks at where the money is being placed, the expected return, the expected risk, and the collateral backing that investment among other things. The money invested in Databank's mutual funds are also held in trust by a Custodian bank (i.e., Stanbic Bank, Standard Chartered Bank or GTBank) and do not mix with the operational funds of the corporate entity, Databank.

- **Oversight of Board Members.** The Board of Directors represents your interest by ensuring the Fund Manager sticks to investment guidelines. They meet quarterly to review the Fund's performance, whether the Fund is being managed in line with the Fund's Scheme Particulars, how much money is flowing into and out of the Fund as well as the expenses being incurred by the Fund. While it is not legally required, it is in the best interest of your investment if the board members overseeing it are independent of the investment firm. In the case of Databank's mutual funds, the CEO is the only Databank employee that sits on each mutual fund board. Each Fund has between three to five independent directors who bring their expertise to bear on the decisions made regarding the Fund, and also hold shares in the funds they oversee. They therefore have a vested interest in ensuring we make prudent, sustainable investment decisions that will position the funds to stand the test of time.
- **External Auditors.** The external auditors of an investment bank are tasked with auditing each mutual fund once a year and presenting the Financials for shareholder approval at the annual general meeting.
- **Annual General Meetings (AGMS).** The AGMs provide every shareholder of the investment with the opportunity to question the directors and auditors face-to-face. The Databank mutual funds have been holding AGMs for the past 19 years.

It is important to note that each mutual fund is a separately registered company. Therefore, when it comes to our mutual fund investments, the investors are the owners of the Fund, not Databank. So Databank is the Fund manager while the investors are the shareholders. The Board of Directors is in place to manage the mutual fund company. All bank accounts, including the custody accounts, belong to the Fund and the investments are paid into these accounts and also redeemed from them. The money used to run the day-to-day operational affairs of Databank (the company) is kept separate from the accounts of the mutual fund companies.

The Regulator

Investment banks are regulated by the Securities and Exchange Commission (SEC). The SEC is responsible for overseeing all mutual funds in Ghana and ensuring that the investment bank (i.e., Databank) is compliant with the Scheme Particulars (i.e., are we doing what we said we would do). The SEC inspects the Fund's processes to ensure investment decisions are well thought through and they also conduct custodian inspections to confirm the investment position of the funds. As an investor, you are encouraged to contact the Regulator if you are unsure of a company. They will be able to tell you whether the investment bank is compliant as well as whether there have been complaints about the company being unable to pay withdrawals.

To find out more details about your investments with Databank, please visit www.databankgroup.com to view the annual report or Fund Fact Sheets of the Fund(s) you own or call **0302 610610**.

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